

# NOTAS



## An Evaluation of Entrepreneurship Orientation within the LEADER+ program in the European Union

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**ABSTRACT:** This article deals with the currently widely discussed entrepreneurial orientation (EO) and investigates the roles this concept actually plays within the LEADER+ development program and its implementation in three European territories. The main question addressed in this analysis is whether or not the LEADER+ envisaged EO as a basic element for rural development. Can we really observe both at the rhetoric and at the implementation levels impacts of the EO on the LEADER+? To answer this question the official programmatic documents of the EU community initiative LEADER+ are analyzed against the background of the most important EO concepts and characteristics. Subsequently, a deeper look in the implementation of LEADER+ in three European territories shows that the EO still has little impact in the actions implemented. Some major contradictory rhetoric of the LEADER+ is identified regarding EO and its importance to the development program. As well as some important suggestions for improving future development program can be derived from the analysis. These show that, despite the lack of focus on EO by the LEADER+, the concept has the potential to make a significant contribution to the successful development of regions.

**JEL Classification:** R58.

**Keywords:** Entrepreneurial orientation, Rural development, LEADER+.

### Una evaluación de la orientación empresarial dentro del programa LEADER+ en la Unión Europea

**RESUMEN:** El presente artículo se ocupa de la orientación emprendedora (EO), concepto actualmente muy debatido, e investiga su papel en el programa de desarrollo LEADER+ y en la aplicación de ese programa en tres territorios europeos. La cuestión principal abordada en este análisis es si el programa LEADER+ contempla el concepto de la orientación emprendedora como elemento básico para el

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desarrollo rural o no. Son analizados documentos programáticos de la iniciativa LEADER+ y acciones realizadas en el contexto de ese programa en tres territorios europeos. A pesar de la falta de orientación emprendedora en LEADER+, el artículo enfatiza en las potenciales de la OE para el desarrollo de zonas rurales.

**Clasificación JEL:** R58.

**Palabras clave:** Orientación emprendedora, desarrollo rural, LEADER+.

## 1. Introduction

At the core of the rural development literature little is said about EO. Many studies of farm business are resistant to consider farmers as entrepreneurs (*e. g.* Ploeg, 2003), while others argue that entrepreneurship in farming can possess specific characteristics related to the sectors' nature (McElwee, 2008), and even others seen the entrepreneurial activity as indistinguishable from entrepreneurship in other business sectors (Carter and Rosa, 1998). Although these contrasting views, some authors, posits that the entrepreneurial activity and the EO seems to be important for all types of rural agents (Morgan *et al.*, 2009). Indeed, in the European Union (EU) policy makers are aiming to encourage a more entrepreneurial approach to agricultural business management (Fischler, 2004).

EO is a mean to create value within new or existing organizations. An EO keeps firms alert by exposing them to new technologies, making them aware of market-place trends, and helping them evaluate new possibilities (Lumpkin, Cogliser and Schneider, 2009). By keeping farmers focused on business, regional changes and customer demand, an EO would help farmers (re) organize resources to take advantage of, or to create, opportunity for realizing value. As a result, firms that exhibit a strong EO generally have higher performance (Rauch *et al.*, 2009). EO is a multidimensional concept that encompasses innovativeness, proactiveness, risk taking, autonomy and competitive aggressiveness (Rauch *et al.*, 2009; Lumpkin and Dess, 1996).

A possible way to speed up the EO at the farmers' level is through rural development programs. In Europe, a community initiative known by LEADER<sup>1</sup>, acronym derived from the French, *Liaisons entre actions de développement de l'économie rural* was started in 1991. This program aimed to promote local development through funding projects based on consultation with local and national bodies in each participating country (High & Nemes, 2007). The original purpose of the LEADER community initiative was to develop innovative ideas for model rural development that could be replicated in other areas. The result is a set of projects developed in many countries and considered to have a highly beneficial impact (High & Nemes, 2007; Pérez Fra, 2004). The experiment was continued with LEADER II (1994-1999) and LEADER+ (2000-2006). Although the LEADER program has officially been finished, its innovative approach forms one of the four axes of rural development policy for the 2007-

<sup>1</sup> LEADER is a strand of European Union rural development funding that has promoted rural development in territories across Europe (Moseley, 2003).

2013 programming period. Now it is considered the second pillar of the reformed Common Agriculture Policy (CAP) introduced in 1999 (European Commission, 1999).

This note focuses on EO in LEADER+. Based on experiences from EO and LEADER project development in three European countries, it provides an analysis consisting of three consecutive steps. After an introduction discussing and defining the concept of EO and its main dimensions, the second step examines how this concept is represented in the rhetoric and programmatic design of the funding programme LEADER+, which has been supporting rural areas to facilitate integrated rural development between 2000 and 2006. The main question addressed in this analysis is, whether, on a programmatic level, the LEADER+ envisaged EO as a basic element for rural development. The third step examines the extent to which standards of EO actually have significant impacts in the implementation process of LEADER+ in three territories localized in the EU member states France, Spain and Germany.

## 2. Entrepreneurship Orientation and its dimensions

EO originates from the strategic-making literatures (*e. g.* Mintzberg, 1973). Strategic making is a phenomenon important across all types of organizations, which incorporate planning, analysis, decision making, and other aspects of an organization as culture, value system, and mission (Hart, 1992). Strategic making is particularly important for taking actions and resources commitment (Rauch, 2009). Having an EO in organizations such as the LEADER+ provides a basis for rural entrepreneurs engaged in this program to pursue opportunities, transforming existing organizations, renewing strategic capabilities and create competitive advantages.

Based on Miller (1983) an entrepreneurial oriented firm is «one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with «proactive» innovations, beating competitors to the punch» (p. 771). He thus suggested that innovativeness, risk taking and proactiveness are characteristics of an EO action. Lumpkin and Dess (1996) suggested that two additional dimensions were salient to EO. Based upon prior work (*e. g.* Venkatraman, 1989; Hart, 1992), they identified competitive aggressiveness and autonomy as additional dimensions of the EO construct. In this note we are not interested in to exhaust the subject (the interested reader can find a vast EO conceptualization and framework on the specialized literature), but only relate these dimensions to the rural context.

Obviously, translating an EO to a rural development program is a difficult task. Yet, this is necessary not only for demystify the concept of entrepreneurship and EO, but also for improving the rural program efficacy. In this sense, if a starting concept of EO in the rural development program has to be proposed we suggest that an EO would reflect an explicit orientation towards innovativeness, proactiveness, risk taking, autonomy and competitive aggressiveness in the policies, methods and styles that the program uses for promoting rural development. Table 1 summarizes the comprehension of the EO in the context of rural development program.

**Table 1.** The EO concept in the rural world (own elaboration)

<i>Phenomenon</i>	<i>Key Concept</i>	<i>Categories and codes for frame the key concepts</i>
Entrepreneurial Orientation	Innovativeness	<ul style="list-style-type: none"> <li>— New ideas towards rural enterprises (new ideas about enterprise and company, new production unit, network, cooperation, new method, new social organization).</li> <li>— Novel ways of delivering products and services in the rural world (novel ways, new channel, new supply chain, new circuits).</li> <li>— Keeping people moving onwards towards novel solutions in the rural world (novel solutions, new solutions, progress, developing potential).</li> <li>— Innovation in product/service, technology, processes and social organization (innovation, new product, new services, new technology, new know-how).</li> </ul>
	Proactiveness	<ul style="list-style-type: none"> <li>— Striving for opportunity, competitive advantage and leadership (opportunity, competitive advantage, leadership, strategy).</li> <li>— Development of new skills, abilities and capabilities to the rural people (new skills, new abilities, new resources, new capabilities).</li> <li>— Anticipation of future barriers for the rural development (future problems, rural changes, new rural roles, environmental changes, constraints).</li> <li>— Anticipation of future needs of existing and potential customers (new markets, new value, needs and wants, consumer demand).</li> </ul>
	Risk Taking	<ul style="list-style-type: none"> <li>— Learning generation and calculated risk taking (openness, learning, risk).</li> <li>— To venture upon diversification and multifunctionality (rural diversification, alternative source of income, multifunctional, failure).</li> <li>— Constructive risk taking attitude in the rural world (risk attitude, risk control, uncertain results, risk for a sustainable future).</li> <li>— Preparedness to the new approaches in the rural development (uncertainty at adoption, new approach uncertainty, Methodological problem, difficulties to implement).</li> </ul>
	Autonomy	<ul style="list-style-type: none"> <li>— Independence of interventions, subsidies and external support (freedom, independence of subsidies, independence of external support).</li> <li>— Decision making (autonomous decision making, participatory decision making, cooperative decision making).</li> <li>— Long-term and futurity visioning (control over future, envisioning a sustainable development, achieving objectives, vision of future, envisioning objectives).</li> <li>— Responsibility of local actors (engagement, commitment, responsibility).</li> </ul>
	Competitive Aggressiveness	<ul style="list-style-type: none"> <li>— Developing and exploiting new strategies ahead of competitors (moving more rapidly than competitors, outperform rival, emphasis on marketing).</li> <li>— Responsiveness to the threats (respond to competitors).</li> <li>— Differentiation (product differentiation, market channel differentiation, market orientation, product quality, adding value).</li> <li>— Gaining the competition (by bargaining power via cooperation, by alliances).</li> </ul>

### 3. Methodology

Consistent with content analysis (Krippendorff, 1980), the Official Journal C 139 of 18.05.2000, which lays down the guidelines for the Community Initiative for Rural Development LEADER+ was analysed to answer the question whether or not on a programmatic level the LEADER+ envisaged EO as a basic element for rural development. For this we put in evidence the appearance of the EO key concept in the Official Journal C 139 summarized in table 1. The objective was to track within the text passages that either (1) contains the key concept, (2) contains the key concept closely synonymous, (3) contains clearly normative or exhortative statements about any of the key concepts, and (4) any textual parts judged by the investigators to be relevant to the study of EO, but that did not seem to fall into the above categories. The document was electronically scanned and converted into word processing text for data analysis.

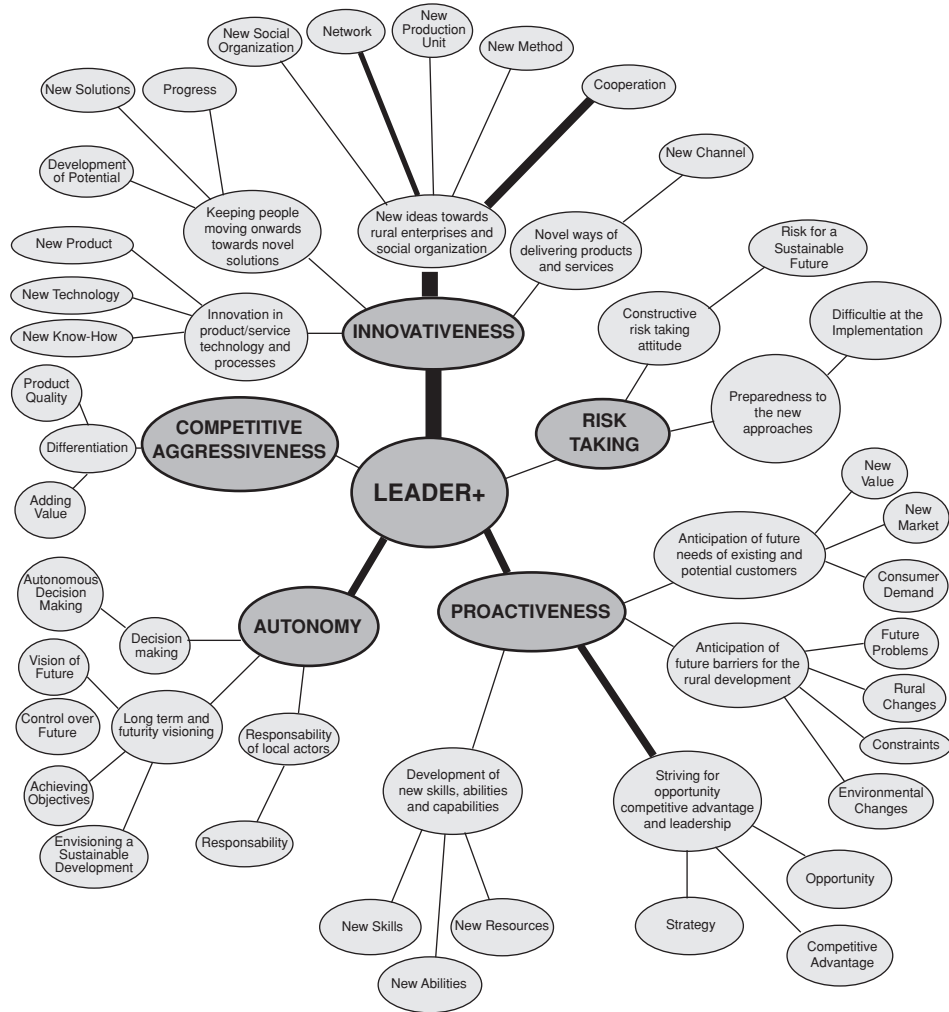
The final step examines the extent to which standards of EO actually has a significant impact in the implementation process of LEADER+ in three territories localized in the member states France, Spain and Germany according to the same predefined key concepts and codes presented in table 1. With this purpose we scrutinized the official documents containing the actions promoted in the territory by the Local Action Group (LAG) Espace Les Cevennes (France), Adroches (Spain) and Mühldorfer Netz e.V. (Germany). The actions implemented within each of the three LAG's were classified by the second and third co-author according their relations to the EO dimensions varying from very low relation (1) to low relation (2), medium relation (3), high relation (4) and very high relation (5).

### 4. The rhetoric and programmatic design of LEADER+

The most pointed question we can answer about the LEADER+ is whether this so relevant rural development program in the European Union is entrepreneurially oriented. The preliminary answer is no. The Official Journal C 139 of 18.05.2000, which lays down the guidelines for the Community initiative for rural development (LEADER+), does not refer to entrepreneurship, entrepreneurial orientation and neither to innovativeness, proactiveness, risk taking, autonomy and competitive aggressiveness in a direct and explicit form. However, looking to the data provided in figure 1 a range of topics is mentioned under the rubric of EO in the official document.

Figure 1 reveals that the EU Commissioners see EO as comprised of many different fundamental perspectives, but biased towards innovativeness. Items such as network and cooperation that in an entrepreneurial view are related to the new ideas towards rural enterprises and community organization are key elements of LEADER+. In the same vein, networking is regarded as an innovative organizational arrangement for foster new rural products/services and new methods and making them

**Figure 1.** The entrepreneurial rhetoric of LEADER+. The tickness of the line segments is proportional to the relations of each code, categories and key concept to LEADER+ (own elaboration)



available to all participants who are involved in territorial initiatives. Innovativeness also encompasses novel ways of develop and delivering products and services and must stimulate people to propose novel solutions for the rural development, but this aspects are almost neglected in the LEADER+ original document. Therefore, a key result of this analysis is the fact that innovativeness in the LEADER+ has been understood fundamentally as an encouragement to local linkage and collective experience sharing and less as a mean to create new solutions in terms of products, services and technologies.



Proactiveness in the LEADER+ is seen mostly as strategy towards changes. The document states that the rural areas in the next few years have to make adjustments because, for example, of the «*changes in the agricultural sector as a result of the reform of the CAP and the increasing demands of consumers concerning product quality*» (p. 5). Beyond that LEADER+ emphasizes the need for actions «strategies» that «*create and/or maintain competitive and sustainable products and services*» (p. 5) in the rural areas. Even though there is a certain overweight of the role of strategy in striving for competitive advantages, other proactiveness categories are also present in the LEADER+. For example, the development of new skills, the anticipation of future barriers for the rural development as well as the anticipation of future needs of existing and potential consumers appear quite frequently in the text. In general, the normative tone of several statements constitutes behavioral guidelines for the actors (mostly for the LAG's) in the rural world. For example, in a passage in page 7 the document states that «*The members of a LAG must show that they are able to devise and implement a development strategy for the territory together*». Throughout the document there are sentences which describe and delineate guidelines for future actions to make the rural world a better place, more developed and more sustainable in a very proactive fashion.

The rural development through LEADER+ will operate in a way that does not threaten the responsibility of local actors, *i. e.* the autonomy of actors. Although the LEADER+ imposes a series of rules and obligatory evaluative control, the central idea is to have a bottom-up program with an «*active partnership operating at the local level*» (p. 6). The LAG's must show responsibility for «*drawing up development strategies and be responsible for their implementation*» (p. 7). But, on the other hand, on the LEADER+ original document little touches the idea of create an autonomous decision-maker, capable of running its business independently of external support and subsidies, which is an important aspect of the autonomy dimension. Beyond that, sub-themes as engagement and commitment of local actors to create an autonomous and independent business and rural society are also neglected in the text. Such lack of emphasis on autonomy undermines the strong emphasis on innovation and proactiveness because actors will believe that an invisible hand will support them forever.

Competitive aggressiveness and risk taking show little reflection on importance in the LEADER+. The codes and frames used for tracking the concepts were not apparent in the text, except for two occasions regarding risk: Risk for a sustainable future, where proponents «*must prove its economic viability and its sustainability in the sense that resources will be used in such a way that the options available to future generations are not impaired*» (p. 8), and the risk of interventions when the program implementation encounters some difficulties «*...such as: delays in the selection of beneficiaries, and consequently in the launching of programs, the creation of fragile partnerships when roles are poorly defined...*» (p. 6); and two passages regarding competitive aggressiveness where the Commission establishes special interest in «*new know-how and new technologies to make the products and services of rural areas more competitive*» (p. 8). A second passage in the same page gives importance to adding value to local products via facilitating the access to markets of small production units.

The disparity of items illustrated in figure 1, as well as their weights reflected by the thickness of the lines connecting the concepts, suggests that the LEADER+ does not have a precise or consistent EO character. However, according to the data analyzed the answer to the question raised on the beginning of this section is yes. The LEADER+ program is entrepreneurially oriented even though it overemphasizes the innovativeness and proactiveness dimensions while gives little importance to autonomy, risk taking and competitive aggressiveness' dimensions of the EO.

#### 4.1. Applications at LAG level

At a practical level, unsurprisingly, just a few actions were classified as having high or very high relations to the entrepreneurial orientation within the three LAG's analyzed. In Mühldorf's LAG three out of twenty LEADER+ actions had a significant relation to what in the specialized literature is called EO. All this three actions are centered on regional products (wood, horse riding and crafts) and their innovation, quality transformation and introduction in new circles of distribution. A very interesting aspect is related to the actions focused on bringing together social and economic actors for creating formal and informal networks for support new ways of producing and marketing. Merchandising strategies, technological innovations and specialization through know-how transfer are the main issues in these three LEADER+ actions implemented in the Mühldorf's LAG. In the other 85% of actions there are no significant nexus between the initiative and what we can call politics promoting entrepreneurial behavior. Also in the French case only one single action is closely related to the defining criteria of the OE. The action aims to push the regional economy via a cooperative dedicated to manage and exploit parks and the natural richness of the region. Likewise, in Adroches' LAG most actions have a very low relation to OE. From 72 actions, five presented some elements of the entrepreneurial orientation perspective, but only one is firmly related to the primary dimensions of the entrepreneurial orientation.

## 5. Conclusion

The term entrepreneurial orientation is currently a buzzword in discussions on rural development programs. Innovativeness, proactiveness, autonomy, competitive aggressiveness and risk taking seem to be promising for successful rural development planning such as LEADER+. It seems to be a problem that these terms are often used only subjectively, in formulating certain program goals with no consideration for their efficient outcomes. When these terms are only used indirectly, fundamental aspects receive too little attention.

As has been shown in this note, in an indirect way, the LEADER+ reflects most of key aspects of an entrepreneurial oriented development program. But, this results does not coincide with the practical importance of the EO dimensions on the imple-

mentation level of the actual LEADER+'s actions. The causes for this disparity may be various, but we think that the most prominent is the lack of a clear message about the LEADER+ goals. It seems that the EU's way of doing rural policy has been dubious as the «real message» is not made clear in a straightforward format. If at the one hand the principles of LEADER+ is approximated to the trend of a state of art entrepreneurial development program, at the other it falls short in communicate directly and clearly its main goals for the public. In this sense, given the recurrent appearance of terms, phrases and ideas connected to the EO in the LEADER+ document, the term entrepreneurship and its main dimensions should be more directly and more objectively presented in the LEADER+ rhetoric and practice. Otherwise the type of rural policy aimed to support rural development become less effective mainly in regions and areas where it would be most crucial. Current LEADER+ rhetoric contributes to the mystification of the entrepreneurial approach to agricultural business management, diverting the farms and rural communities from a competitive behavior, instead of direct them towards it.

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